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United States Wins Textile Case Against India in WTO

WASHINGTON - U.S. Trade Representative Robert B. Zoellick announced today that a World Trade Organization (WTO) panel has upheld U.S. laws on determining the country of origin of textile and apparel products in a dispute brought by India challenging these rules. Rules of origin are used to determine the country of origin of imported goods. The panel concluded that the U.S. laws are consistent with U.S. WTO obligations, rejecting all of India's challenges.

"This is an important victory for American trade laws and American textile trade. Detailed U.S. rules of origin for textiles help make sure that everyone plays by the rules, and we are very pleased that the panel rejected India's complaints," said Zoellick. "Today's report reaffirms that U.S. rules are consistent with our WTO commitments, and it shows that countries do have flexibility under the WTO to develop accurate rules of origin. The Administration is fully committed to enforcing fair, predictable rules that ensure fair trade."

The panel findings are significant because they uphold rules of origin that ensure that textile and apparel products imported into the United States accurately reflect their country of origin, and not where minor finishing operations take place.

The WTO panel rejected each of India's arguments. Specifically, the panel:

- rejected India's argument that the U.S. rules of origin improperly differentiate between textile and apparel products and other industrial products;
- rejected India's argument that the U.S. rules were adopted to protect the U.S. textile industry from competition;
- rejected India's argument that the U.S. rules of origin distort, disrupt and restrict international trade; and,
- rejected India's argument that the U.S. rules are administered in a discriminatory manner.

Instead, the panel agreed with the United States that the rules of origin are entirely consistent

with U.S. obligations under the WTO Agreement on Rules of Origin.

Background

Section 334 of the Uruguay Round Agreements Act of 1996, the so-called "Breaux-Cardin rules," established statutory rules of origin applicable to textile and apparel products based on standards set out in the law. Section 405 of the Trade and Development Act of 2002 amended Section 334 by providing further rules of origin for specific products. On January 11, 2002, India requested WTO dispute settlement consultations with the United States regarding Section 334 and Section 405. Consultations were unsuccessful, and a panel was established on June 24, 2002.

India alleged that Sections 334 and 405 were inconsistent with various provisions of the WTO Agreement on Rules of Origin. In today's report, the panel rejected all of these claims.

India will have an opportunity to appeal today's report.